

# Tobacco Prevention & Cessation Program Financial Guidelines

## PURPOSE:

These guidelines serve as a primary reference for the Tobacco Prevention & Cessation Program's (TPCP) funded sub-grantees to use in fulfilling their fiscal responsibilities and to ensure that the funds are used for their intended purposes.

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## Accounting System Requirements

The organization's accounting system must be able to:

- ☐ Track TPCP sub-grant expenses and revenues by its own individual accounting code or designated tracking number
- ☐ Track contracts and obligations
- ☐ Compare budget to actual cost
- ☐ Provide accurate, current, and complete financial reports that can be duplicated and supported with back-up documentation
- ☐ Provide internal control protection for cash and property assets
- ☐ Compute and track personnel, payroll, and timekeeping
- ☐ Track/identify special accounts related to specialty categories such as program income

***IMPORTANT: The organization's accounting system must assure that an external monitor will be able to review the organization's expenses, tie them specifically to TPCP funding, and determine if the expense is reasonable and supported with appropriate back-up documentation, i.e. invoices, canceled checks, timesheets, travel logs, etc.***

### FINANCIAL MANAGEMENT TIP

Recommendations for tracking and reporting multiple funding streams:

At a minimum, use a spreadsheet to track each grant award's expenses and note amounts on the invoice.

**No matter what system you use, you should be able to:**

- ☐ Submit a Sub-Grantee Payment Request Form (FIN-122) monthly in the GEMS system. Sub-grantees who fail to submit a monthly FIN-122 may be subject to an on-site visit by TPCP to review the sub-grantee's financial system.
- ☐ Track TPCP sub-grant expenditures to budgeted categories.
- ☐ Maintain accounting records and reconcile monthly.
- ☐ Support all accounting entries by source documents such as canceled checks, invoices, personnel activity reports/timesheets, contracts, travel logs, etc.
- ☐ Account for every employee's time whose salary is paid with TPCP sub-grant funding (in whole or in part) by use of personnel activity and time accounting reports, including time spent on other program activities.
- ☐ Ensure compliance with the terms and conditions of the TPCP sub-grant award.
- ☐ Preserve financial records for five (5) years from the date the agreement expires or if an audit is pending at the end of the five year period, until resolution of the audit.
- ☐ Be able to prepare and reproduce financial reports and reimbursement requests.

Organizations that do not have a formal accounting system may track TPCP financial activities by using either a paper general ledger or Microsoft Excel spreadsheet.

To assist with tracking costs, record on the invoice the check number, date and any other information that will help define the expense and tie the cost back to the general ledger/spreadsheet i.e. smokeless educational materials purchased for a booth at county fair or rodeo on 9-20-12.

REMINDER: Sub grantees must maintain a filing system that makes it possible to retrieve original documents that may be requested by TPCP.



***Costs not properly documented in an organization's accounting system or financial tracking system will be disallowed.***

## Internal Control Standards

An organization's internal controls will be enhanced if there is a separation of duties so that no one person handles all aspects of a transaction from beginning to end. For those organizations that do not have sufficient staff to separate responsibilities, it is recommended that an outside bookkeeping or accounting firm be hired or have the board of directors review reconciled bank statements and financial reports.

Although a complete separation of functions may not be feasible for small organizations, some measure of effective control can be achieved by planning the assignment of duties carefully. Many of the most effective techniques for providing internal control are very simple. Some examples are:

- ▶ Cash receipts should be recorded immediately and deposited daily.
- ▶ Bank accounts should be reconciled monthly by someone other than the person who signs the checks.
- ▶ A petty cash fund should be entrusted to a single custodian and used for all payments other than those made by check. (The use of petty cash funds is not recommended, however, if used, safeguards should be in place and a policy for use should be established.)
- ▶ Checks to vendors should be issued only in payment of approved invoices. Document on the invoice that the invoice has been paid to avoid a duplicate payment.
- ▶ The person who is responsible for the physical custody of an asset should not also have responsibility for keeping the records related to that asset. An asset is a single item with an acquisition cost of more than \$250 such as cameras, printers, and computers.
- ▶ The person who has authority for placing employees on the payroll and establishing wage rates should not be the same person who signs the checks
- ▶ An employee cannot sign a check made payable to themselves.
- ▶ The individual signing the checks for payment should not be the individual setting up the payment requests.

- ▶ Signature stamps or pre-signed checks should not be used.
- ▶ Two signatures should be required on checks (Be sure the check states that two signatures are required). NOTE: Having two lines on a check does not constitute the requirement for two signatures and will not be challenged by the bank or vendor cashing the check.

NOTE: Organizations must provide safeguards for all property purchased with TPCP funds and cash or cash equivalents. Organizations must assure that TPCP purchased assets are used *solely for authorized purposes*.

## Cash Management

**Cash transactions are not acceptable. All transactions paid with TPCP funds must be by check or credit/debit card with the exception of small cash purchases (under \$100) made through a petty cash fund.**

**Cash Management Responsibilities:** TPCP requires that sub-grantees ensure proper controls over TPCP funds. Sub-grantees are highly encouraged to adhere to the following cash management activities:

- ▶ Perform monthly bank reconciliations by someone other than the person who writes the check.
- ▶ Pay vendors by check or credit/debit cards. Cash transactions are not allowed.
- ▶ The check payee and payer cannot be the same person. You cannot sign a check that is made payable to yourself.
- ▶ Cash advances are not allowed.
- ▶ Ensure fiscal responsibilities are clearly identified and there is a separation of responsibilities between programmatic and fiscal management
- ▶ Submit Sub-grantee Payment Request Forms monthly for reimbursement of expenses already incurred by the organization.

## Recognizing Allowable Cost

### What constitutes an allowable cost?

This section outlines common costs associated with TPCP sub grant programs. The principles used here are modeled after the cost principles of the Office of Management and Budget (OMB). To be allowable under TPCP awards, costs must be ***reasonable, allocable, necessary, authorized, treated consistently, and documented.***

### *The Test for Allowability*

*This test is the most important and useful tool you can use to determine if a cost is allowable.*

***For an expense to be allowable it must be:***

**Reasonable:** Costs are considered reasonable when the cost does not exceed the market prices for comparable goods or services.

**Necessary:** Costs are considered necessary when they are recognized as ordinary and necessary to support the operation and/or performance of the program.

**Allocable:** Costs are allocable when they are assigned to a specific function where costs are needed and incurred.

**Consistent:** Costs must be treated consistently regardless of the source of funds.

**Authorized:** Costs must be authorized or not prohibited under state or local laws or regulations.

**Documented:** Costs must be adequately documented.

**Management Tip:** Designate someone in the organization to review and approve expense transactions for allowability.

***NOTE: If an organization has financial guidelines that are more stringent than those outlined in this manual, then you will follow those guidelines. However, if TPCP guidelines are more stringent, then you will follow TPCP guidelines.***



*The following scenarios are provided to assist you with testing for allowability of a cost.*

#### Scenario 1

In your budget, you have approval to purchase a computer. When the computer is received, your boss decides to assign the computer to someone else. **Does this pass the test for allowable cost to the TPCP sub-grant?**

**No.** Why not? The purchase of the computer was authorized for the TPCP funded coordinator. Items purchased with TPCP funds must be used by the person designated to carry out the main function of the sub-grant. If the computer is used by someone other than the coordinator, the cost cannot be allocated to TPCP sub-grant.

#### Scenario 2

The coordinator makes a purchase, using their own funds, of items for an event that was included in the work plan and budget. They present an itemized receipt along with the organization's reimbursement/reconciliation form documenting the need for the items. **Does this pass the test for allowable cost to the TPCP sub-grant?**

**Yes.** Why? It was approved in the budget and work plan. There was an itemized receipt and the cost was documented.

#### Scenario 3

You budgeted \$2,000 for office supplies. You still have office supplies left from the last sub-grant cycle and will not need to use the whole amount. You decide to purchase pictures and plants to decorate your office. **Does this pass the test for allowable cost to the TPCP sub-grant?**

**No.** Why not? The supply line in the budget is for supplies that enable you carry out the TPCP sub-grant activities i.e. pens, paper, toner, etc. Therefore, the pictures and plants are not necessary to carry out the sub-grant objectives.

#### Scenario 4

As part of your work plan activities you will be working with a population that does not speak English and must hire a Spanish interpreter. You know someone who can provide the service and you agree to pay \$150 per hour. **Does this pass the test for allowable cost to the TPCP sub-grant?**

**No.** Why not? The work is necessary; you can allocate it but is the cost reasonable? When you hire contract work, you cannot pay more than the market rate for their services. The current market rate for a Spanish interpreter is between \$40 and \$60 per hour with a minimum of one hour; therefore, the cost is not reasonable. Amounts paid over the market rate can be disallowed. Market rates for interpreter services can be found quickly by doing online searches.

**Scenario 5**

You sponsored an all day event with community action groups as outlined in your work plan. You provided lunch and afternoon snacks. You documented the event with an agenda and sign-in sheets as well as keeping the original catering invoice itemizing the food and drinks purchased.

**Does this pass the test for allowable cost to the TPCP sub-grant?**

**Yes.** Why? You held an event that was outlined in your work plan and the costs are well documented i.e., agenda, sign-in sheets, and itemized invoice.

**Scenario 6**

You met a great speaker who you subsequently hired to talk with local officials in your community. You did not know that he was a registered lobbyist until after you paid him. He did after all get the mayor to ban smoking in all city parks. **Does this pass the test for allowable cost to the TPCP sub-grant?**

**No.** Why not? Funding from TPCP cannot be used for lobbying purposes. Therefore, it is prohibited and not authorized.

**Scenario 7**

Your organization receives several grants. For one grant, some of your overhead costs are treated as indirect costs and on others grants those same items are treated as direct costs. **Does it pass the test for allowable cost to the TPCP sub-grant?**

**No.** Why not? TPCP funds must be treated consistently throughout the organization. If you cost items as indirect for one grant, they must be cost as indirect for all grants.

**Scenario 8**

An opportunity arises to partner with another organization on a project but the activity was not included in the approved work plan and there will be costs associated with the project that was not included in the budget. **Does it pass the test for allowable cost to the TPCP sub-grant?**

**Maybe.** Sub-grantee must seek advice from TPCP prior to commitment. If TPCP agrees the sub-grantee must submit a Change Action Form following the guidelines in the Revisions to Sub-Grant Agreements section of this manual.

**Unacceptable Accounting Procedures:**

*Below is a list of "Unacceptable Practices."*

- Charging costs to spend remaining balances unless the cost is related to work plan activities and was approved in the budget.
- Assigning charges to the grant with the largest remaining balance.
- Billing costs to the grant prior to the expense being incurred.
- Charging the budgeted amount rather than actual cost.

- Identifying a cost as something other than what it actually is. For example, personnel cost instead of contractor costs.
- “Rainy Day Purchases” where a cost may be beneficial to other projects after the project end date.

## Explicitly Unallowable Costs

***Below is a list of common items that cannot be charged to TPCP. This list is not all-inclusive but it is a good quick reference guide to some common costs not allowable under your TPCP sub-grant.***

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• <b><i>Alcoholic Beverages</i></b></li><li>• <b><i>Bonuses</i></b></li><li>• <b><i>Cash Advancement to Employees</i></b></li><li>• <b><i>Construction Costs</i></b></li><li>• <b><i>Contingency Provision</i></b></li><li>• <b><i>Costs Incurred Outside the Sub-Grant Period</i></b></li><li>• <b><i>Credit Card Fees</i></b></li><li>• <b><i>Defense and Prosecution of Criminal &amp; Civil Proceedings, Claims, Appeals and Patent Infringements</i></b></li><li>• <b><i>Dependent Care Costs (Insurance)</i></b></li><li>• <b><i>Donations or Contributions</i></b></li><li>• <b><i>Dual Compensation</i></b></li><li>• <b><i>Earned sick leave paid upon employees' departure</i></b></li><li>• <b><i>Entertainment</i></b></li><li>• <b><i>Fines and penalties</i></b></li><li>• <b><i>Fund raising</i></b></li><li>• <b><i>First class and non coach travel</i></b></li><li>• <b><i>Goods and Services for Personal Use</i></b></li><li>• <b><i>Housing &amp; Personal Living Expense</i></b></li></ul> | <ul style="list-style-type: none"><li>• <b><i>Idle Facility</i></b></li><li>• <b><i>Interest Expense</i></b></li><li>• <b><i>Investment Management</i></b></li><li>• <b><i>Late Payment Fees</i></b></li><li>• <b><i>Lobbying</i></b></li><li>• <b><i>Losses on sponsored projects or contracts</i></b></li><li>• <b><i>Memberships, subscriptions and professional activity costs /subject to conditions (memberships must be in the name of the organization not an individual and meet the allowability test)</i></b></li><li>• <b><i>Overtime Cost, Extra Pay or Shift Pay</i></b></li><li>• <b><i>Organizational or Reorganizational Costs</i></b></li><li>• <b><i>Pre-Agreement Costs</i></b></li><li>• <b><i>Property Acquisition (Both Land and Building)</i></b></li><li>• <b><i>Relocation Cost</i></b></li><li>• <b><i>Selling Products Purchased with TPCP Funds</i></b></li><li>• <b><i>Severance Pay</i></b></li></ul> |
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## Audit/Paper Trail

The term audit trail or paper trail is defined as being able to provide a complete history of any given financial transaction. The idea is to be able to identify each step in the process from the initiation of the transaction all the way through to the completion of the transaction.

A paper trail will include an attempt to establish a chronological list of steps that were necessary to begin the transaction as well as bring it to completion. Paper trails can be very simplistic or extremely complicated, depending on the number of steps involved with the transaction. For example, conducting a paper trail on an invoice issued by a vendor for supplies would be a relatively simple process. The paper trail is merely a series of documents (order forms, paid invoice, and shipping receipt) that support a journal entry or business transaction recorded into a company's general ledger.

**What is a source document? A source document is a written document that provides details of a transaction and the evidence that the transaction has taken place.**

Below is a sample list of the source documents that should be maintained.

### Required features of an Invoice:

- ▶ Date when transaction took place
- ▶ Names and addresses and phone# of the parties concerned namely the buyer and seller
- ▶ Invoice Number
- ▶ Nature of the transaction i.e. description of the goods or services
- ▶ Quantity and unit price of what has been sold
- ▶ Terms and conditions of the transaction i.e. trade discount, cash discount, delivery details, and an authorized signature
- ▶ Total amount of invoice plus sales tax, if applicable
- ▶ Other (date of payment, terms of sale)

**Note:** A statement is not an invoice and is not acceptable as a source of documentation of a TPCP expense.

- ▶ Personal Expense Reimbursements Requests
- ▶ Mileage Logs
- ▶ Invoices
- ▶ Store Receipts
- ▶ Purchase Orders
- ▶ Contract Agreements
- ▶ Credit Memos
- ▶ Petty Cash Records
- ▶ Deposit Records
- ▶ Bank Statements
- ▶ Time and Attendance Records
- ▶ Leave Records
- ▶ Hire and Pay Records
- ▶ All Accounting Records & Ledgers
- ▶ Tax Documents
- ▶ Travel Documents
- ▶ Board Meeting Minutes
- ▶ Canceled Checks
- ▶ Credit Card Statements
- ▶ Cost Allocation Plans
- ▶ Agendas
- ▶ Sign in Sheets
- ▶ Asset Records (purchase, inventory & disposal)
- ▶ TPCP Sub-Grant Award

**Documentation... Documentation... Documentation...**

**NOTE:** If there is no support documentation, the expense may be disallowed even though the activity may be allowable.

What are the requirements of proper documentation? Documents should show Who, What, When and Where and quantity and cost of the goods or services purchased. A proper invoice must be an original invoice and not a statement or online confirmation notice. Below are several types of expense transactions with the required information needed for proper documentation.

**Invoice Documentation for supplies or general services such as utility bills**

- ▶ Name and address of the company
- ▶ Invoice date and invoice number
- ▶ Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number)
- ▶ Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed
- ▶ Shipping and payment terms (*e.g.*, shipment number and date of shipment, discount for prompt payment terms)
- ▶ Total of invoice plus taxes
- ▶ Taxpayer Identification Number
- ▶ Dates of services



Sub-grantees must pay vendors from itemized invoices from the vendor. Sub-grantees are never to “make up” invoices for their vendors.

**Documentation required for organizational activities:****Meeting Expense**

- ☐ Sign-in sheets
- ☐ Meeting agenda
- ☐ Copy of invoices for expenses such as catering and supplies
- ☐ Copy of the notice of meeting, if advertised
- ☐ Copy of meeting minutes, if applicable

**Employee Reimbursement**

- ☐ Itemized receipt showing items purchased by employee
- ☐ Organizations reimbursement/reconciliation form
- ☐ Signatures of financial approval and employee

**Travel Reimbursement**

- ☐ Copy of mileage log signed by employee and supervisor (See sample mileage reimbursement form)
- ☐ Original hotel receipt (entertainment charges are not allowed)
- ☐ Airline ticket and baggage receipt
- ☐ Taxi or shuttle receipt
- ☐ Meal receipts showing details of food purchased (a credit card receipt is not acceptable)

**Payroll Charges**

- ☐ Copy of weekly timesheet signed by employee and supervisor
- ☐ Copy of pay stub detailing salary, taxes and fringe

**Contracts**

- ☐ Copy of contract that includes the scope of work, period of performance, itemized budget, method of selection
- ☐ Time accounting for contractor
- ☐ Evidence of deliverables being requested/paid
- ☐ Copy of bill from contractor

**Management Tip:** Statements from vendors are not an appropriate source document for an expense and will not be accepted by TPCP to support expenses. Source documents must be legible and correlate to the proper time period and event.

## Records Management

### Access to Records

Sub-grantees will grant access to its records upon request by TPCP personnel. Access will be given to any books, documents, papers or records of the sub-grantee which are related to any services performed under the sub-grant.

### Record Retention

Sub-grantees will retain all books, records, and other documents relating to the expenditures and services rendered for a period of five (5) years after the agreement expires, or if any audit is pending at the end of the five year period, until resolution of the audit.

## Program Income

*Any income earned with TPCP awarded funds is considered program income.*

- ▶ TPCP will determine if program income can be used to advance the TPCP program objectives, or if a refund to TPCP is required.
- ▶ Sub-grantees must report program income as soon it is earned.
- ▶ Program income may only be used for **allowable TPCP program costs** and must be reflected in your work plan.

NOTE: Program income generated from activities in which TPCP is a sponsor (only) is not program income.

### Accounting Processes for Program Income

Any program income earned with TPCP funding during the project period, but not utilized for the project, must be refunded to TPCP unless otherwise stipulated in the award.

Any portion of program income earned with TPCP funding must be accounted for at the same ratio as TPCP participation. For example, a project funded with 100% of TPCP funds must account for and reported at 100% of the total program income earned (total program income earned was \$20,000 after expenses; the recipient must account for and report the \$20,000 as program income).

### Examples of Program Income

Below are examples of possible program income. In these examples, it is understood that TPCP funded the activities and/or the personnel who carried out the activity and that a profit was made after applicable expenses.

**Examples include but are not limited to:**

- ☐ Charging a registration fee for workshops and conferences
- ☐ Revenue received in return for providing services to a third party
- ☐ Membership fees

- ☐ Court awarded fees
- ☐ The sale of commodities, data and information records, services or items fabricated or produced under a sponsored program such as books and publications, software, childcare, tutoring, etc., inclusive of license fees, royalties, copyrights and patents
- ☐ Rental or usage fees charged for use of supplies or equipment purchased with sub-grant program funds
- ☐ Revenue realized through the sale of products made/purchases using TPCP funds
- ☐ Other income generated by a TPCP sub-grant supported activity or earned as a result of the sub-grant agreement

**What is not program income?**

- ☐ Any income that was earned not using TPCP funded resources
- ☐ Fines, penalties or taxes levied by the government
- ☐ Credits, refunds, rebated, deposits, and discounts (these should be credited back to TPCP through the accounting system as a reduction to expenditures)
- ☐ Contributions and Donations (Note: these funds come as a result of fund raising and public relation of the organization which is strictly prohibited with TPCP funds)

**Property Management**

**Acquisition of Equipment:** Equipment purchases of \$500 or greater must be approval by TPCP prior to purchase. If new equipment is purchased when suitable equipment is already available within the organization, the purchase will be considered an unnecessary cost.

Sub-grantees must establish/maintain an effective property management system. Sub-grantees are required to track items with an acquisition cost of more than \$250. These items may include cameras, printers, computers, flash drives, phones, etc. The procedure used for maintaining equipment acquired, in whole or in part, with TPCP funds (including replacements) should, at a minimum, meet the following requirements:

- ▶ Description of the property
- ▶ Serial number or other identification number
- ▶ Identification of the title holder
- ▶ Acquisition date
- ▶ Cost of the property
- ▶ Percentage of TPCP participation in the cost of the property along with other funds used to purchase property if used
- ▶ Location of the property and individual name or title of position using property
- ▶ Use and condition of the property
- ▶ Disposition data, including the date of disposal and sale price or disposal method
- ▶ A physical inventory of the property and reconciliation of the results must be completed at least once every 2 years.



### Loss, Damage, or Theft of Equipment

Sub-grantees are responsible for replacing or repairing property, which is lost, stolen, damaged, or destroyed. Sub-grantees must investigate and fully document any loss, damage, or theft of the property and make the documentation part of the official project records. Sub-grantees must:

- ▶ have a control system in place with adequate safeguards to prevent the loss, theft or damage of equipment
- ▶ promptly and properly investigate any loss, damage, or theft
- ▶ establish and use adequate maintenance procedures to keep the property in good condition

### Disposal or Return of Equipment

Sub-grantees no longer funded by TPCP should contact TPCP to determine the disposition of all equipment purchased. A written response will be sent to the sub-grantee instructing them on the disposition of each item.

Equipment must be used for the TPCP program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by TPCP funds. When no longer needed for the original program or project, TPCP must be notified for disposition instructions.

If authorized or required to sell the property, the sub-grantee must establish proper sales procedures to ensure the highest possible return on investment.

When acquiring replacement equipment, sub-grantees may use the equipment to be replaced as a trade-in or may sell the equipment and use the proceeds to offset the cost of the replacement equipment, subject to the written approval of TPCP.

### Procurement

There are times when it may be necessary to procure goods and/or services to accomplish the goals of the TPCP program. For example, it may be necessary to purchase equipment or subcontract for services that the recipient does not have in-house.

#### Procurement Standards

**General – At a minimum,** TPCP expects all contracted services to be competitively bid using at least three quotes.

**Adequate Competition** - All procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free competition.

**Non-competitive Practices** – Sub-grantees shall be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

### Contract Services

TPCP requires a description of contracts for program activities be included along with budget information. The following information is required for each contract:

- ▶ **Name of Contractor**: Identify the name of the proposed contractor.
  - **NOTE: Part-time or full-time employees, who occupy a position authorized to be paid from extra help or regular salaries from any state agency, are prohibited. There are NO EXCEPTIONS.**
- ▶ **Method of Selection**: Describe how the contractor was selected and the qualifications for the contractor. In addition, identify whether or not the contractor is a private for-profit organization.
- ▶ **Period of Performance**: Specify the beginning and ending dates of the contract. Additionally, indicate whether or not this is a new or continuation contract.
- ▶ **Scope of Work**: Describe in outcome terms the specific services/tasks to be performed by the contractor as it relates to the accomplishment of program objectives.
- ▶ **Method of Accountability**: Describe how the progress and performance of the contractor will be monitored during and on close-out of the contract period. Identify who will be responsible for supervising the contract. In addition, for continuation contracts, describe their previous performance.
- ▶ **Itemized Budget and Justification**: Provide an itemized budget with appropriate justification.
- ▶ **Contract and Grant Disclosure and Certification Form**: Provide a completed and signed copy of the form to TPCP **prior** to awarding a contract.
- ▶ **Request for Tax Payer Identification Number and Certification (W-9) Form**:
  - Provide a completed and signed copy of the W-9 form to TPCP **prior** to awarding a contract.

## Printing Costs

**Printing is defined** as transferring images, by the use of standard industrial type printer ink, upon documents such as letterhead, envelope, pamphlets, booklets, and forms.

Arkansas law ACA19-11\*201(30)(a)&(b) requires all government agencies **as well as sub-grantees funded by the state** to competitively bid printing jobs.

## Personnel Cost

### Overtime Compensation

TPCP does not reimburse for overtime compensation unless it has been pre-approved. Executives, such as the president or executive director of an organization, cannot be reimbursed for overtime or compensatory time.

### Verification of Salaries, Wages, and Fringe Benefit Costs

Charges made to TPCP awards for salaries, wages, and fringe benefits must be based on payroll records approved by a responsible official(s).

**Note:** Allocations for fringe benefits must follow the same allocation percentage as salary. The same is true for budgeting salary.



**Changes in personnel must be approved by TPCP. Failure to do so could result in unallowed costs.**

Sub-grantee personnel are required to prepare timesheets on a regular basis showing hours worked and days off whether funded wholly or partly by TPCP funds. All personnel paid by TPCP funds, whether exempt or non-exempt, will keep a timesheet showing hours worked, days worked and time taken off as well as recording origin of funds if funded from more than one source funds.

If sub-grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time and/or effort reports (e.g., timesheets with award and activity designation). These reports must:

- ▶ Reflect an after-the-fact distribution of the actual activity of each employee.
- ▶ Account for the total activity for which each employee is compensated.
- ▶ Be prepared at least monthly and coincide with one or more pay periods.
- ▶ Must account for the total activities for which employees are compensated and;

- ▶ Be signed by the employee and approved by a supervisory official having firsthand knowledge of the work performed.
- ▶ Allocated based on a 40 hour work week.

### Sample Time Sheet

Employee Name \_\_\_\_\_

Pay Period \_\_\_\_\_

Grant	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total
TPCP	0	3	3	4				10
UAPB	0		5	4				9
DRC	0	5				2		7
OFF Work	0					6	8	14
<b>Total Hours</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>40</b>

\_\_\_\_\_  
Employee Signature\_\_\_\_\_  
Supervisor Signature

**Note:** Exempt employees may work more than forty hours per week; however they will only be reimbursed based on the forty hour work week. Should the employee be compensated by more than one grant, the salary charged to each grant would be based on a percentage of time worked for each grant.

#### How to Compute Time Allocation for Salary:

**Example:** The employee worked a total of fifty hours in one week. Thirty hours on the TPCP sub-grant activities and 20 hours on unrelated projects. To calculate the amount to charge to each source of funds, compute the percentage of time worked based on the forty hour work week.

TPCP  $30/50 = 60\%$        $60\% * 40 \text{ hours} = 24 \text{ hours}$  which would be charged to TPCP grant

Other source  $20/50 = 40\%$        $40\% * 40 \text{ hours} = 16 \text{ hour}$  which would be charged to the other source



Payroll costs not support by timesheets and allocated by actual time spent on TPCP sub-grant related activities will be disallowed.

In no case is dual compensation allowable. An employee may not receive compensation for the same work from two different funding sources for a single period of time (e.g., 1 to 4:30 p.m.), even though such work may benefit both activities/grants.

### Cell Phones

Reimbursement for cell phone costs is an allowable cost. However, the cell phone services must be established in the name of the organization. Sub-grantees must submit itemized cell phone bills for reimbursement.

**Internet and telephone** costs are allowable costs but must be set up in the name of the organization. TPCP requires internet access for the financial and program reporting system, therefore, these costs must be included the budget.

### Travel Costs

Travel expenses are allowable costs for employees who are on official business travel related to the TPCP award. Travel costs must be in accordance with travel limits listed below or your organizations travel policy, whichever has the more stringent policy.

#### Travel Cost Limits:

- ▶ First class airfare is not allowed.
- ▶ Reimburse for one (1) checked bag per person.
- ▶ Per Diem rates must be at the federal rates. See [Link to Federal Per Diem Rates](#)
- ▶ To receive meal reimbursement, the traveler must have an overnight lodging and must travel over 50 miles from work location to destination.
- ▶ Hotel rates should follow the government rate. If the organization cannot claim government rates then a reasonable rate should be sought.
- ▶ Mileage reimbursement is in accordance with the state rate of \$.42 per mile.

**Mileage Logs:** Mileage must be recorded on a mileage log and submitted with requests for reimbursement. All stops must be shown individually if the trip is not round trip. See example below.

Date	Odometer Start	Starting Location Address	Destination Address	Description/Notes	Odometer End	Mileage	Total Amount
7/31/2012	175,000	4815 W. Markham St L.R	5184 Mark St L.R	Financial monitoring TPCP	175,202	202	\$84.84

8/1/2012	175,202	4815 W. Markham St L.R	2800 w. main NLR	pick up supplies office depot	175,210	8	\$3.36
8/1/2012	175,210	2800 w. main NLR	210 Main St Jacksonville	Drop off pamphlets City Hall	175,220	10	\$4.20
8/1/2012	175,220	210 Main St Jacksonville	4815 W. Markham St L.R	return to office	175,235	15	\$6.30

Signature of Requester \_\_\_\_\_

Signature of Supervisor or Board Member \_\_\_\_\_

**Management Tip:** If your organization requires city-to-city mileage or Rand McNally mileage, these are acceptable for mileage reimbursement; however, it must be written in your organization's travel policy and be documented on a mileage log with proper signatures.

### Allowable Food and Beverage Costs:

Food and beverage costs for TPCP sponsored activities are allowable if:

- ▶ Food/beverages were provided to participants at trainings, meetings, or conferences.
- ▶ Cost per meal does not exceed the state travel per diem rate.
- ▶ Itemized invoices for food/beverage were provided. Credit card receipts are not adequate for backup documentation.
- ▶ Other documentation required includes sign-in sheets and agendas.

### Unallowable Food and Beverage Costs:

Below is a list of events when the use of TPCP funds **would not be appropriate** and would not be reimbursable:

- ▶ Food for normal daily business
- ▶ Staff meetings/working lunches
- ▶ Organizational parties

- ▶ Any non-TPCP related activity
- ▶ Events where alcohol is served

**Promotional Items** are items purchased to promote project/program activities described in the work plan. Total costs for promotional items cannot exceed 5% of total budget.

***Promotional items must be approved prior to purchase and display required logos (Master Settlement Agreement logo, StampOutSmoking logo, and Arkansas Department of Health logo).***



**Promotional Items purchased with TPCP funds that do not display the required logos will be disallowed.**

### Advertising

Paid media is an allowable expense provided media efforts directly support the workplan and the ADH Health Communications Section Chief approves it in advance.

NOTE: Advertisements promoting your organization only is not an allowable cost.

### Budgets and Budgets Adjustments

The budget, as approved during the award process, is the sub-grantee's financial plan. Any changes to the budget must be prior approved by TPCP (see Revisions to Sub-grant Agreements). **Failure to request prior approval could result in disallowed costs.**

Prior approval must be given by TPCP for the following:

- ▶ Alternative use of salary support due to receipt of other funding. (Caution: A fulltime equivalent is required unless a waiver was approved by TPCP.)
- ▶ Transferring amounts from one budget category to another
- ▶ Changes in scope of work
- ▶ Transferring substantial programmatic work to a third party
- ▶ Earning Program Income
- ▶ Changes in personnel. Notify TPCP if FTE status has changed.
- ▶ Purchase of new equipment

This list is not all-inclusive, but merely provides examples as a frame of reference.



**The line item budget categories must never be exceeded.**

### Total Cost Budgeting and Accounting

To ensure adequate fiscal administration, accounting, and the ability to audit all funds received, your records should be established using the “total program cost” basis. This includes all costs going into the organization from the following types of funding sources:

- ▶ Federal funds
- ▶ State funds
- ▶ Other Master Settlement Agreement funds
- ▶ Program income
- ▶ Any other funds received

### Revisions to Sub-Grant Agreements

The following instructions provide guidance on when and how to request changes to approved workplans and budgets.

#### Changes to a TPCP funded Sub-Grant Agreement include:

- ☐ Minor changes that do not require a Change Action Form (see examples below) OR
- ☐ Changes that affect either the budget and/or a revision to the workplan.

**To request a change to the sub-grant agreement, submit the request to the State & Community Section Chief and the Administration & Management Section Chief following the guidelines listed below:**

- ☐ Submit the request on your organization’s letterhead signed by both the coordinator and the organization’s authorized representative.
- ☐ Reference the objective/activity in the workplan that is affected, if applicable. Provide a detailed explanation of the change, including a brief synopsis of the impact of the change on the program.

**Note: There must be a compelling programmatic justification and rationale for changes and the changes must be in keeping with the intended goals and objectives of the sub-grant agreement.**



- ☐ If budget changes are necessary, the request must include a revised budget using the budget revision worksheet. Budget revisions require a justification describing the impact of the change on the delivery of the workplan activities.

**Note:** Change requests can be scanned and emailed to the State & Community Section Chief and the Administrative & Management Section Chief with the original sent by mail.

**IMPORTANT NOTE:** Sub-grantees may not implement any changes until official written notification of approval is received from TPCP. Any changes enacted prior to notification of approval may be disallowed or may become the object of a monitoring finding, and are done so at the sub-grantee's own risk. Receipt and review of a change request does not imply or indicate pending approval. Approval of a sub-grant agreement modification is dependent upon a justifiable programmatic and/or fiscal need that will be of direct benefit to the project and is permissible under the established sub-grant parameters. Be sure to review the approved modification. In some cases, partial approval may be granted or TPCP may have changed some budget information during the review/approval process. *Requests for changes to the sub-grant agreement will be considered only if both financial and program-reporting requirements are current and terms and conditions of the agreement have been met at the time the request for change is made.*

**Examples of changes requiring approval:**

- ▶ Scope of program activities
- ▶ Purpose of the project
- ▶ Effort (time spent on sub-grant activities by coordinator)
- ▶ Project site
- ▶ Budget
- ▶ Unanticipated absence or transfer of key personnel that affect the sub-grant
- ▶ Addition of an item to the project budget

Minor changes are those that do not affect the budget or workplan objectives and can be made by sending a letter to the TPCP State and Community Section Chief and the Administration & Management Section Chief detailing the change. The following constitute a change that requires notification.

- ☐ Change of Address - Recipients are required to notify TPCP of changes to their mailing address.
- ☐ Change in or temporary absence of the coordinator/director that does not affect the budget or workplan completion.
- ☐ Changes in key personnel, e.g. the director or financial officer, etc. as long as they do not change the budget or work plan.

**Note: The TPCP State and Community Section Chief will determine from your written notification if more information is needed.**

TPCP will review the change requests and, if approved, initiate a Change Action Form that will be sent to the sub-grantee for review and signature. Once the Change Action Form is signed by both the sub-grantee and TPCP, the sub-grantee will be provided a copy with an effective date for the change.

Requests for changes to the sub-grant agreement will be considered only if both financial and program reporting requirements are current and the terms and conditions of the agreement have been met at the time of the request.

### **Common Problems with Sub-Grantee Change Requests**

- ▶ **Lack of detail.** Requests that do not have a compelling programmatic rationale and justification or lacks adequate detail.
- ▶ **Mathematical errors.** Failure to check calculations prior to submission.
- ▶ **Appropriate signatures.** Failure to have required signatures on requests for changes.

### **Reasons Why your Change Requests May Not Be Approved**

- ▶ **Change requests submitted towards the end of the award period.** TPCP sub-grantees must submit change requests no later than April 15 of each grant cycle. Requests submitted after this date may not be approved.
- ▶ **Lack of response from sub-grantees for additional information.** It is recommend the sub-grantee designate someone to act as a contact person for all sub-grant agreement change requests. This person should be able to respond to any requests for information from the TPCP during the time that the request is pending.
- ▶ **Sub-grantee is not current with reporting requirements or sub-grantee is not meeting the terms and conditions of the agreement.** Quarterly program reports and monthly financial reports are required. Sub-grantees are also required to attend TPCP training and workshops.

## Obligation of Funds

An obligation is orders placed, contracts awarded for services to be received and similar transactions during the award period that require payment by the sub-grantee. For example, if you place an order for a piece of equipment to be purchased, the order is an obligation. Think of it as a promise to pay for services or goods. Obligations must occur during the project period stated in the award agreement. An obligation occurs when funds are committed, such as a valid purchase order or requisition to cover the costs of purchasing an authorized item on or after the begin date and up to the last day of the project period (June 30).

Any funds not obligated within the award period will lapse and revert to the TPCP. The obligation deadline is the last day of the sub-grant award period. No additional obligations can be incurred after the end of the award period. For example, if the award period is July 1, 2011 to June 30, 2012, the obligation deadline is June 30, 2012.



Obligating a shipment of supplies or promotional items prior to June 30 and receiving the items after June 30, is acceptable and would be eligible for reimbursement, however, entering into a contract with someone to perform work after June 30 is not acceptable and would be disallowed.

Contracted services must be performed during the award period. The invoice for the services can be paid after the end of the award period, but must include an invoice date, purchase order date, or other documentation showing the dates of services were rendered before the end of the award period.

## Tax Reporting

It is the sub-grantee's responsibility to ensure their organization follows Internal Revenue Service (IRS) and State tax laws.

The IRS Miscellaneous Income form (1099-Misc) is required for some services when you pay a vendor more than \$600 in a calendar year. Refer to the following website for additional information. <http://www.irs.gov/pub/irs-pdf/i1099misc.pdf>

The IRS Return of Organization Exempt From Income Tax (Form 990) is an annual reporting return that all 501(c)(3) private foundations, regardless of income must file with the IRS. It provides information on the filing organization's mission, programs, and finances. Refer to the following website for additional information. <http://www.irs.gov/pub/irs-pdf/f990.pdf>



**Organizations that have a tax-exempt status that has been revoked cannot be funded by TPCP.**

### Monitoring

Monitoring involves the review of accounting information through the use of the paper trail to prove transactions are accurate and correct and can be allocated back to the TPCP sub-grant.

Before the TPCP monitor arrives for a site visit, he/she will learn as much about your organization as possible. The monitor will review the sub-grantee's budget, reimbursement files, workplan, and TPCP program evaluations. This gives the monitor background information on the sub-grantee and how the TPCP funding is being spent.

The monitoring review consists of sampling financial transactions and performing tests on them. The monitor typically ties all related documents together as part of the testing mechanism. The monitor will review documents such as travel logs, timesheets, leave records, other source documents, and compare them to assure there are no discrepancies.

The TPCP monitor will also review ledger entries comparing to associated invoices to test for discrepancies. He/she will compare the original paperwork to the related general ledger transaction and trace the expense back to the request for reimbursement. The monitor will review these transactions to determine if the expenses were properly allocated and meet the allowability test.

TPCP monitoring staff will conduct a review of financial transactions annually. The monitoring reviews may be either an on-site visit or a desk review.

Below is an example of the transaction types the TPCP monitor generally reviews and what type test is performed:

**Document Requested:** [Expense ledger in Excel](#)

The monitor will request a copy of all expenses charged to the TPCP sub-grant. It is usually the last completed sub-grant cycle but may include a review of current year charges.

**Test Performed:**

- ▶ Compare expenses reported on reimbursement requests to expenses recorded in the ledger
- ▶ Compare total expenses to total funds requested
- ▶ Select invoices and trace them through the accounting system
- ▶ Review select invoices applying the allowability test to determine if the cost is allowable

**Documents Requested:** Payroll and leave ledgers, personnel policy manual, employee leave requests and timesheets, bank statements, quarterly tax reports.

**Test Performed:**

- ▶ Compare wages requested against wages paid
- ▶ Compare timesheet hours to payroll records
- ▶ Compare leave earned to leave taken
- ▶ Trace payroll through bank account
- ▶ Ensure the required taxes are paid and filed on time

**Common Findings from Monitoring Visits**

- ☐ Charging budgeted amount rather than actual amount
- ☐ Not keeping time records
- ☐ No documentation to support transaction
- ☐ Using cash to pay vendors
- ☐ Charging prior year costs to current year award
- ☐ Not providing a full-time coordinator as required by RFA
- ☐ Documentation does not support expense
- ☐ Purchasing unallowable items
- ☐ Required logos are not on promotional items
- ☐ Billing two separate grants for same costs
- ☐ Excessive claims on mileage
- ☐ Tax documents not filed
- ☐ Amount requested not equal to amount expended
- ☐ Charging for salary with no payroll ledger to support the costs
- ☐ Improper or no documentation for time taken off
- ☐ No accounting records or source documents maintained

### **Withholding of Funds**

TPCP may withhold payments from an organization for any of the following:

- ▶ Monitoring findings that jeopardize TPCP asset and funds
- ▶ Unwillingness or inability to attain program goals
- ▶ Inability to adhere to sub-grantee requirements or conditions
- ▶ Improper management/administration of contracts
- ▶ Failure to submit reliable and/or timely reports